

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Battle Creek Tax Increment Finance Authorit	County Calhoun
Fiscal Year End June 30, 2006	Opinion Date November 1, 2006	Date Audit Report Submitted to State December 7, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

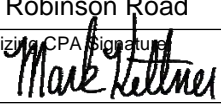
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	Single letter for the City of Battle Creek		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517-787-6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673

**BATTLE CREEK TAX INCREMENT
FINANCE AUTHORITY
(A Component Unit of the
City of Battle Creek, Michigan)**

Battle Creek, Michigan

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**For the Year Ended
June 30, 2006**



REHMANN ROBSON

Certified Public Accountants

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY
(A Component Unit of the
City of Battle Creek, Michigan)

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

November 1, 2006

Board of Directors
Battle Creek Tax Increment Finance Authority
City of Battle Creek, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the ***Battle Creek Tax Increment Finance Authority, a component unit of the City of Battle Creek, Michigan***, as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the ***Battle Creek Tax Increment Finance Authority*** as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The continuing bond disclosures as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Authority. The continuing bond disclosures have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style with a large initial 'L'.

BASIC FINANCIAL STATEMENTS

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY
Statement of Net Assets and
Governmental Funds Balance Sheet
June 30, 2006

	General	Debt Service	Pipeline Bonds	Capital Projects	Total Governmental Funds	Adjustments	Statement of Net Assets
Assets							
Pooled cash and investments	\$ (4,104,170)	\$ -	\$ 31	\$ 10,599,137	\$ 6,494,998	\$ -	\$ 6,494,998
Interest receivable	92,423	-	-	1,264	93,687	-	93,687
Advance to primary government	397,540	-	-	-	397,540	-	397,540
Loans receivable	4,000,000	-	-	-	4,000,000	-	4,000,000
Capital assets not being depreciated	-	-	-	-	-	11,679,397	11,679,397
Capital assets being depreciated, net	-	-	-	-	-	591,156	591,156
Total assets	<u>\$ 385,793</u>	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ 10,600,401</u>	<u>\$ 10,986,225</u>	<u>12,270,553</u>	<u>23,256,778</u>
Liabilities							
Accrued interest payable	\$ -	\$ -	\$ -	\$ -	\$ -	109,044	109,044
Other liabilities	-	-	-	810	810	-	810
Long-term liabilities:							
Due within one year	-	-	-	-	-	1,776,728	1,776,728
Due in more than one year	-	-	-	-	-	13,182,817	13,182,817
Total liabilities	-	-	-	810	810	15,068,589	15,069,399
Fund balances							
Unreserved, undesignated	<u>385,793</u>	<u>-</u>	<u>31</u>	<u>10,599,591</u>	<u>10,985,415</u>	<u>(10,985,415)</u>	<u>-</u>
Total liabilities and fund balance:	<u>\$ 385,793</u>	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ 10,600,401</u>	<u>\$ 10,986,225</u>		
Net assets							
Invested in capital assets, net of related debt						8,000,146	8,000,146
Restricted for debt service						31	31
Restricted for capital projects						10,599,591	10,599,591
Unrestricted (deficit)						<u>(10,412,389)</u>	<u>(10,412,389)</u>
Total net assets						<u>\$ 8,187,379</u>	<u>\$ 8,187,379</u>

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2006

	General	Debt Service	Pipeline Bonds	Capital Projects	Total Governmental Funds	Adjustments	Statement of Net Assets
Revenues							
Property taxes	\$ 8,668,325	\$ -	\$ -	\$ -	\$ 8,668,325	\$ -	\$ 8,668,325
Interest earnings	195,027	4	289	12,345	207,665	-	207,665
Other revenues	27,681	-	-	10,878	38,559	-	38,559
Total revenues	8,891,033	4	289	23,223	8,914,549	-	8,914,549
Expenditures/expenses							
Community development	3,875,357	-	-	3,030,810	6,906,167	22,878	6,929,045
Debt service:							
Principal	714,555	310,000	670,000	-	1,694,555	(1,694,555)	-
Interest and fiscal charges	504,074	120,160	404,360	-	1,028,594	(15,237)	1,013,357
Total expenditures/expenses	5,093,986	430,160	1,074,360	3,030,810	9,629,316	(1,686,914)	7,942,402
Revenues over (under) expenditures	3,797,047	(430,156)	(1,074,071)	(3,007,587)	(714,767)	1,686,914	972,147
Other financing sources (uses)							
Transfers in	-	429,952	1,074,072	2,710,562	4,214,586	(4,214,586)	-
Transfers out	(4,214,586)	-	-	-	(4,214,586)	4,214,586	-
Total other financing sources (uses)	(4,214,586)	429,952	1,074,072	2,710,562	-	-	-
Revenues and other sources over (under) expenditures and other uses	(417,539)	(204)	1	(297,025)	(714,767)	714,767	-
Change in net assets	-	-	-	-	-	972,147	972,147
Fund balances/net assets							
Beginning of year	803,332	204	30	10,896,616	11,700,182	(4,484,950)	7,215,232
End of year	<u>\$ 385,793</u>	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ 10,599,591</u>	<u>\$ 10,985,415</u>	<u>\$ (2,798,036)</u>	<u>\$ 8,187,379</u>

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2006

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes	\$ 9,198,750	\$ 8,668,325	\$ (530,425)
Interest earnings	84,000	195,027	111,027
Other revenues	5,000	27,681	22,681
	<u>9,287,750</u>	<u>8,891,033</u>	<u>(396,717)</u>
Total revenues			
	<u>9,287,750</u>	<u>8,891,033</u>	<u>(396,717)</u>
Expenditures			
Community development	4,047,462	3,875,357	(172,105)
Debt service:			
Principal	714,556	714,555	(1)
Interest and fiscal charges	504,075	504,074	(1)
	<u>5,266,093</u>	<u>5,093,986</u>	<u>(172,107)</u>
Total expenditures			
	<u>5,266,093</u>	<u>5,093,986</u>	<u>(172,107)</u>
Revenues over expenditures			
	<u>4,021,657</u>	<u>3,797,047</u>	<u>(224,610)</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	100,000	-	(100,000)
Transfers out	(4,212,808)	(4,214,586)	1,778
	<u>(4,112,808)</u>	<u>(4,214,586)</u>	<u>101,778</u>
Total other financing uses			
	<u>(4,112,808)</u>	<u>(4,214,586)</u>	<u>101,778</u>
Net change in fund balance			
	(91,151)	(417,539)	(326,388)
Fund balance, beginning of year			
	<u>803,332</u>	<u>803,332</u>	<u>-</u>
Fund balance, end of year			
	<u>\$ 712,181</u>	<u>\$ 385,793</u>	<u>\$ (326,388)</u>

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – These financial statements present the activities of the Battle Creek Tax Increment Financing Authority (the “Authority”). The Authority was organized pursuant to Public Act 450 of 1980. The primary purpose of the Authority is to encourage economic activity in the Fort Custer Industrial Park Development District. The Authority’s activities are primarily funded through tax increment financing and bonded debt.

The Authority is a component unit of the City of Battle Creek, Michigan (the “City”) because the City appoints the Authority’s Board of Directors, it has the ability to significantly influence the Authority’s operations and it is financially accountable for the Authority as defined under GASB Statement No. 14, *The Financial Reporting Entity*. Accordingly, the Authority is presented as a discrete component unit in the City’s financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes To Basic Financial Statements

The Authority reports the following major governmental funds:

- General fund
- Debt service funds:
 - Debt service fund
 - Pipeline bonds fund
- Capital projects fund

The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Debt service funds account for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

The *capital projects fund* accounts for the use of resources, primarily bond proceeds, in constructing or acquiring capital assets, including buildings.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

Capital Assets – Capital assets, which include property and equipment, are reported in the government-wide financial statements. The Authority defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes To Basic Financial Statements

Infrastructure assets (e.g., roads, bridges, curbs, sidewalks, storm sewers and similar items), along with water and wastewater subsystems, constructed by the Authority are not recorded as the Authority's capital assets, even though the Authority may be obligated to repay the debt issued to finance the related projects. Such capital assets become the property of the City when they are placed into service and, accordingly, are reported in the City's capital assets.

The Authority's capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	50
Buildings	25
Equipment	10

Long-term Obligations – In the government-wide financial statements, long-term debt is reported as a liability. Bond discounts, as well as issuance costs, if any, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Budgetary Information – The general fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results. The Authority follows the City budget process in establishing the budgetary data reflected in the financial statements:

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes To Basic Financial Statements

- The Authority submits a proposed budget to the City Manager. After review and approval, the City Manager submits a recommended operating budget to the City Commission. Public hearings are held to obtain taxpayer comments. The budget is legally adopted through a City Commission resolution prior to the beginning of the budgetary year for the Authority's funds.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or amended by the City Commission during the year. Individual amendments were not material in relation to the original appropriations.

2. POOLED CASH AND INVESTMENTS

At year-end, the carrying amount of the Authority's pooled cash and investments, which were deposited entirely in the City's internal cash management pool, was \$6,494,998. Because it is infeasible to allocate risk to individual component units or pool participants, aggregate cash and investment categorizations are presented in the City's basic financial statements.

3. CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated -				
Land	\$ 11,679,397	\$ -	\$ -	\$ 11,679,397
Capital assets, being depreciated:				
Land improvements	587,500	-	-	587,500
Buildings	278,190	-	-	278,190
Equipment	302,712	-	-	302,712
Total capital assets being depreciated	1,168,402	-	-	1,168,402
Less accumulated depreciation for:				
Land improvements	(129,250)	(11,750)	-	(141,000)
Buildings	(122,406)	(11,128)	-	(133,534)
Equipment	(302,712)	-	-	(141,000)
Total accumulated depreciation	(554,368)	(22,878)	-	(577,246)
Total capital assets, being depreciated, net	614,034	(22,878)	-	591,156
Governmental activities capital assets, net	\$ 12,293,431	\$ (22,878)	\$ -	\$ 12,270,553

Depreciation expense in the amount of \$22,878 was reported in the community development function in the government-wide statement of activities.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes To Basic Financial Statements

4. LOANS RECEIVABLE

In conjunction with the City and State of Michigan in offering an incentive package to the Kellogg Company, the Authority loaned \$4.0 million, interest-free, to the Kellogg Company to assist with the out-of-pocket costs of relocating personnel from a recently acquired subsidiary to the Battle Creek area. The loan is due in fiscal year 2008.

5. LONG-TERM DEBT

Following is a summary of the Authority's debt outstanding as of June 30, 2006:

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal</u>
General Obligation Bonds			
1997 Limited Tax Development Refunding	4.9-5.0%	09/01/11	<u>\$ 2,250,000</u>
Revenue Bonds			
1997 Development Refunding	4.85-5.25%	05/01/16	<u>7,325,000</u>
Land Contract			
1992 Land Contract	9.0%	06/30/12	<u>4,270,407</u>
Economic Development Loan Payable			
2002 Loan	6.0%	12/31/16	813,504
2003 Loan	5.0%	11/01/07	<u>300,634</u>
			<u>1,114,138</u>
			<u>\$ 14,959,545</u>

In addition to the above obligations, the Authority has committed to contribute toward the repayment of a City of Battle Creek bond issue. Although not contractually obligated, the Authority intends to pay debt service on this obligation, which has an outstanding balance of \$283,195 with interest rates ranging from 2.5% to 3.5%, and maturing through 2011.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes To Basic Financial Statements

Annual debt service requirements to maturity for the Authority's debt, including the City of Battle Creek bond issue that the Authority intends to service, are as follows:

Year Ending June 30,	Authority Obligations		City Obligations	
	Principal	Interest	Principal	Interest
2007	\$ 1,776,728	\$ 920,653	\$ 53,232	\$ 7,881
2008	1,873,672	808,758	54,297	6,469
2009	1,834,115	689,316	55,894	4,884
2010	1,928,782	569,581	58,555	3,094
2011	2,049,154	441,843	61,217	1,071
2012-16	5,445,758	705,513	-	-
2017	51,336	1,158	-	-
Total	\$ 14,959,545	\$ 4,136,822	\$ 283,195	\$ 23,399

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 2,560,000	\$ -	\$ (310,000)	\$ 2,250,000	\$ 330,000
Revenue bonds	7,995,000	-	(670,000)	7,325,000	675,000
Land contract	4,791,162	-	(520,755)	4,270,407	567,622
Economic development loans	<u>1,307,938</u>	<u>-</u>	<u>(193,800)</u>	<u>1,114,138</u>	<u>204,106</u>
	<u>\$ 16,654,100</u>	<u>\$ -</u>	<u>\$(1,694,555)</u>	<u>\$ 14,959,545</u>	<u>\$ 1,776,728</u>

6. PROPERTY TAXES

Property tax revenue is derived pursuant to a tax increment financing agreement between the Authority and various applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City of Battle Creek bills and collects the taxes on behalf of the Authority. Delinquent taxes on ad valorem real property are purchased by the Calhoun County. Property tax revenue is recognized when levied in the government-wide financial statements and in the fund financial statements to the extent that it results in current receivables.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes To Basic Financial Statements

Except for property taxes captured from local schools that exceed contractual obligations, the Authority is entitled to all taxes levied on property within the Battle Creek Tax Increment Finance Authority district to the extent that the current taxable value exceeds the base year taxable value. These taxable values for the 2005 levy are summarized below:

	<u>Base Year</u>	<u>Increment</u>	<u>Total</u>
Real property	\$ 2,748,540	\$ 60,297,098	\$ 63,045,638
Personal property	1,755,730	102,321,230	104,076,960
P.A. 198 property	12,394,110	119,760,245	132,154,355

7. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the government-wide statement of net assets, which reconciles fund balances to net assets:

Fund balances	\$ 10,985,415
Adjustments:	
Capital assets are not current financial resources and therefor are not reported in the governmental funds:	
Property and equipment	12,847,799
Accumulated depreciation	(577,246)
Bonds payable and other long-term obligation are not due and payable in the current period and therefore not reported in the governmental funds	(14,959,545)
Accrued interest payable on bonds is not recorded by governmental funds	(109,044)
Net assets	<u><u>\$ 8,187,379</u></u>

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes To Basic Financial Statements

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

Net change in fund balances	\$ (714,767)
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Adjustments:

Repayment of bond and other long-term obligations principal is an expenditure in the funds, but the repayment reduces long-term liabilities for purposes of determining net assets	1,694,555
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Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Depreciation expense	(22,878)
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The change in accrued interest expense on long-term obligations is not recorded by governmental funds but is reported under interest and fiscal charges for purposes of determining net assets	15,237
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Change in net assets	<u><u>\$ 972,147</u></u>
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SUPPLEMENTARY INFORMATION

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY
Continuing Bond Disclosures (Unaudited)

1. State Equalized Value (SEV) and Taxable Value (TV) of Ad Valorem Tax Roll

Assessed Value as of December 31	Year of Tax Levy	Fiscal Year Ended June 30	Ad Valorem SEV		Ad Valorem TV	
			Amount	% Change	Amount	% Change
2004	2005	2006	\$ 169,024,580	-3.19%	\$ 167,122,598	-3.01%
2003	2004	2005	174,592,160	4.59%	172,303,773	4.28%
2002	2003	2004	166,922,857	1.37%	165,224,263	2.34%
2001	2002	2003	164,661,334	23.89%	161,442,246	22.43%
2000	2001	2002	132,912,439	12.53%	131,864,597	13.39%
1999	2000	2001	118,117,500	29.02%	116,289,550	28.79%
1998	1999	2000	91,551,700	7.44%	90,293,700	7.04%
1997	1998	1999	85,215,400	12.64%	84,355,600	11.60%
1996	1997	1998	75,650,350	13.48%	75,585,000	13.38%

2. Taxable Value (TV) of Ad Valorem Tax Roll by Use

Fiscal Year Ended June 30	Commercial	Industrial	Total
2006	\$ 8,664,241	\$ 158,458,357	\$ 167,122,598
2005	12,682,444	159,621,329	172,303,773
2004	8,300,838	156,923,425	165,224,263
2003	9,329,644	152,112,602	161,442,246
2002	9,419,758	122,444,839	131,864,597
2001	8,566,850	107,722,700	116,289,550
2000	8,436,400	81,857,300	90,293,700
1999	8,025,750	76,329,850	84,355,600
1998	5,838,550	69,746,450	75,585,000

3. Taxable Value (TV) of Ad Valorem Tax Roll by Class

Fiscal Year Ended June 30	Real	Personal	Total
2006	\$ 63,045,638	\$ 104,076,960	\$ 167,122,598
2005	61,145,274	111,158,499	172,303,773
2004	56,352,265	108,871,998	165,224,263
2003	46,807,146	114,635,100	161,442,246
2002	41,310,697	90,553,900	131,864,597
2001	37,258,550	79,031,000	116,289,550
2000	24,957,200	65,336,500	90,293,700
1999	23,286,500	61,069,100	84,355,600
1998	22,240,600	53,344,400	75,585,000

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY
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4. Taxable Value (TV) of the Industrial Facilities Tax Roll by Class

Fiscal Year Ended June 30	Real	Personal	Total
2006	\$ 23,242,752	\$ 108,911,603	\$ 132,154,355
2005	23,620,554	81,772,376	105,392,930
2004	24,235,506	78,251,877	102,487,383
2003	33,690,941	70,710,300	104,401,241
2002	31,617,845	72,390,012	104,007,857
2001	32,393,900	75,196,300	107,590,200
2000	44,078,600	83,957,200	128,035,800
1999	44,391,700	81,842,250	126,233,950
1998	44,621,850	67,987,900	112,609,750

5. Property Tax Collections

Fiscal Year Ended June 30	Taxes Levied	Collections to March 1	% Collected
2006	\$ 9,998,865	\$ 9,881,842	98.83%
2005	9,053,251	8,809,482	97.31%
2004	8,907,046	8,907,046	100.00%
2003	9,138,546	9,138,546	100.00%
2002	8,455,874	7,889,892	93.31%
2001	7,306,333	7,243,324	99.14%
2000	6,779,678	6,724,628	99.19%
1999	6,555,340	6,499,272	99.14%
1998	5,931,538	5,532,782	93.28%
1997	5,362,603	5,261,685	98.12%

6. Captured Property Tax Rates
(per \$1,000 of value)

Fiscal Year Ended June 30	City	B.C. & ISD Schools	County	State Education Tax	Willard Library
2006	11.2300	20.7792	4.3080	6.0000	2.00
2005	10.4530	20.0000	4.0334	6.0000	2.00
2004	13.0000	20.0000	4.0334	5.0000	-
2003	13.0000	20.0000	4.0334	6.0000	-
2002	13.0000	20.7550	4.0334	6.0000	-
2001	12.7730	20.7296	4.0448	6.0000	-
2000	15.5970	20.7296	4.0448	6.0000	-
1999	12.7290	20.7489	4.0559	6.0000	-
1998	12.8440	20.8200	4.0591	6.0000	-

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY
Continuing Bond Disclosures (Unaudited)

7. Taxable Value of Twenty Largest Ad Valorem Taxpayers
(Fiscal Year Ended June 30, 2006)

<u>Taxpayer</u>	<u>Product or Service</u>	<u>Taxable Value</u>	<u>% of Taxable Value</u>
1 Denso Manufacturing	Automotive Parts	\$ 75,115,453	44.95%
2 TRMI Inc.	Automotive Parts	9,533,799	5.70%
3 New AMI Inc.	Automotive Parts	7,819,634	4.68%
4 II Stanley Co., Inc.	Automotive Parts	6,810,587	4.08%
5 Hi-Lex Corp	Automotive Parts	6,580,035	3.94%
6 Toyota Tsusho America, Inc.	Automotive Parts	5,846,162	3.50%
7 Union Pump	Pump Manufacturer	5,622,779	3.36%
8 Koyo Corp.	Automotive Parts	4,597,029	2.75%
9 Systex Products Corp.	Plastic Manufacturer	4,590,729	2.75%
10 Lotte USA Inc.	Automotive Parts	3,457,319	2.07%
11 Johnson Control	Automotive Parts	3,371,673	2.02%
12 United Steel & Wire	Wire Products	2,572,001	1.54%
13 Battle Creek Industrial Center LLC	Leased Equipment	2,209,275	1.32%
14 Prairie Farms Dairy Inc.	Dairy Products	1,702,491	1.02%
15 EPI Printers, Inc.	Printing	1,624,082	0.97%
16 Advanced Special Tools, Inc.	Specialty Tools	1,086,470	0.65%
17 Waterland Battle Creek	Leasing Facility	1,079,322	0.65%
18 Duncan Aviation Inc.	Aviation	1,064,725	0.64%
19 CA Picard Inc.	Metal Fabricating	1,026,904	0.61%
20 Gallagher Industrial Laundry Inc.	Laundry	1,025,169	0.61%
		<u>\$ 146,735,638</u>	<u>87.81%</u>

8. Taxable Value of Twenty Largest IFT Taxpayers
(Fiscal Year Ended June 30, 2006)

<u>Taxpayer</u>	<u>Product or Service</u>	<u>Taxable Value</u>	<u>% of Taxable Value</u>
1 Denso Manufacturing Michigan, Inc.	Automotive parts	\$ 44,645,569	33.78%
2 Musashi Auto Parts	Automotive parts	26,839,576	20.31%
3 II Stanley Company, Inc	Automotive parts	16,213,267	12.27%
4 Yorozu Automotive	Automotive parts	9,188,192	6.95%
5 EPI Printers Inc.	Printing	6,310,205	4.77%
6 TRMI, INC.	Electronic switches	4,736,238	3.58%
7 Systex Products Corp.	Plastic moldings	4,345,593	3.29%
8 Roesler Metral Finishing	Metal finishing	3,451,099	2.61%
9 Prairie Farms Dairy Inc	Dairy Products	2,795,811	2.12%
10 Pyper Products	Plastic injection molding	2,759,592	2.09%
11 Marley Precision Inc.	Automotive components	2,420,853	1.83%
12 Advanced Special Tools Inc.	Speciality Tools	1,916,575	1.45%
13 Koyo Corp.	Metal sales	1,160,915	0.88%
14 EIMO Americas	Mechanical control cables	1,007,112	0.76%
15 Hi-Lex Corp.	Automotive parts	790,030	0.60%
16 New AMI Inc.	Automotive parts	656,603	0.50%
17 Geislinger Corp.	Diesel engine parts	503,916	0.38%
18 Hotset Corp.	Molded parts	396,748	0.30%
19 Franklin Iron & Metal	Metal fabricating	321,909	0.24%
20 Perelli Enterprises Inc.	Plastic recycling	320,868	0.24%
		<u>\$ 130,780,671</u>	<u>98.95%</u>